

ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOCKETED

SEP 19 2012

COMMISSION RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

- 3 GARY PIERCE - Chairman
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DOCKETED BY *JM*

2012 SEP 19 PM 3 27

7 IN THE MATTER OF THE APPLICATION OF
 8 ARIZONA WATER COMPANY, AN
 9 ARIZONA CORPORATION, FOR A
 10 DETERMINATION OF THE FAIR VALUE OF
 11 ITS UTILITY PLANT AND PROPERTY AND
 FOR ADJUSTMENTS TO ITS RATES AND
 CHARGES FOR UTILITY SERVICE
 FURNISHED BY ITS NORTHERN GROUP
 AND FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-12-0348

RATE CASE
PROCEDURAL ORDER

BY THE COMMISSION:

13 On August 1, 2012, Arizona Water Company (“AWC”) filed with the Arizona Corporation
 14 Commission (“Commission”) an application requesting adjustments to its rates and charges for utility
 15 service provided by its Northern Group water systems, including its Navajo (Lakeside and
 16 Overgaard) and Verde Valley (Sedona, Pinewood, and Rimrock) water systems. AWC’s rate
 17 application uses a test year ending December 31, 2011. In addition to requesting an overall increase
 18 in revenue, AWC’s application proposes extension of its arsenic cost recovery mechanism
 19 (“ACRM”) authorization, approved for the Sedona and Rimrock water systems in Decision No.
 20 66400 (October 16, 2003), to the Navajo water systems; full rate consolidation of the Sedona
 21 system’s rates with those of the other Verde Valley systems; authorization to implement a
 22 Distribution System Improvement Charge (“DSIC”) for its Northern Group systems; and
 23 authorization to implement Off-Site Facilities Fees of \$1,100 and up for new service connections in
 24 the Sedona water system’s service area. The application also mentions continued authorization of a
 25 MAP surcharge.

26 On August 30, 2012, the Commission’s Utilities Division (“Staff”) filed a Letter of
 27 Sufficiency stating that AWC’s rate application had met the sufficiency requirements outlined in
 28

1 Arizona Administrative Code (“A.A.C.”) R14-2-103 and that AWC had been classified as a Class A
2 Utility.

3 On September 11, 2012, a Procedural Order was issued scheduling a procedural conference to
4 be held on September 18, 2012, for the purpose of discussing the scheduling for this matter.

5 On September 12, 2012, the Residential Utility Consumer Office (“RUCO”) filed an
6 Application to Intervene.

7 On September 18, 2012, the procedural conference was held as scheduled, at the
8 Commission’s offices in Phoenix, Arizona. AWC, Staff, and RUCO appeared through counsel, and
9 RUCO was granted intervention without objection. The scheduling for this matter was discussed,
10 and it was determined that the pre-hearing conference for this matter will be held on May 10, 2013,
11 and that the hearing in this matter will commence on May 13, 2013, at 10:00 a.m. and continue, as
12 necessary, starting at 9:00 a.m., on May 16-17 and May 20-24, 2013. Dates were also established for
13 the filing of testimony and of any settlement agreement.

14 Thus, it is now necessary and appropriate to establish the procedural schedule in this matter.

15 IT IS THEREFORE ORDERED that the **hearing** in this matter shall commence on **May 13,**
16 **2013, at 10:00 a.m.**, in Hearing Room No. 1, at the Commission’s offices at 1200 West Washington
17 Street, Phoenix, Arizona 85007, and shall continue, as necessary, at **9:00 a.m. on May 16-17 and**
18 **May 20-24, 2013.** The hearing shall proceed in Hearing Room No. 1 except on May 23, 2013, when
19 it shall proceed in Hearing Room No. 2 or the 2nd Floor Conference Room at the Commission’s
20 offices in Phoenix, depending on availability.

21 IT IS FURTHER ORDERED that the **pre-hearing conference** in this matter shall be held on
22 **May 10, 2013, at 1:00 p.m.**, in Hearing Room No. 1, at the Commission’s offices in Phoenix,
23 Arizona.

24 IT IS FURTHER ORDERED that **direct testimony** and associated exhibits to be presented at
25 hearing by **Staff or intervenors** regarding **revenue requirements and cost of capital** shall be
26 reduced to writing and filed on or before **February 22, 2013.**

27 IT IS FURTHER ORDERED that **direct testimony** and associated exhibits to be presented at
28 hearing by **Staff or intervenors** regarding **cost of service and rate design** shall be reduced to

1 writing and filed on or before **March 5, 2013**.

2 IT IS FURTHER ORDERED that as the parties have indicated that they will engage in
3 settlement discussions beginning the week of March 18, 2013, the parties shall ensure that any such
4 discussions are open and transparent, provide all parties to this matter an equal opportunity to
5 participate, and are engaged in with good faith.

6 IT IS FURTHER ORDERED that **any settlement agreement** reached by the parties shall be
7 filed by **April 5, 2013**.

8 IT IS FURTHER ORDERED that if the parties **have** reached a settlement agreement by April
9 5, 2013, each party shall file **testimony in support of or opposition to the settlement agreement** by
10 **April 12, 2013**.

11 IT IS FURTHER ORDERED that if the parties **have not** reached a settlement agreement by
12 April 5, 2013, **rebuttal testimony** and associated exhibits to be presented at hearing by **AWC** shall
13 be reduced to writing and filed by **April 5, 2013**.

14 IT IS FURTHER ORDERED that if the parties **have not** reached a settlement agreement by
15 April 5, 2013, **surrebuttal testimony** and associated exhibits to be presented by **Staff or intervenors**
16 shall be reduced to writing and filed on or before **April 26, 2013**.

17 IT IS FURTHER ORDERED that if the parties **have not** reached a settlement agreement by
18 April 5, 2013, **rejoinder testimony** and associated exhibits to be presented at hearing by **AWC** shall
19 be reduced to writing and filed on or before **May 9, 2013**.

20 IT IS FURTHER ORDERED that **all testimony filed shall include a table of contents** which
21 lists the issues discussed.

22 IT IS FURTHER ORDERED that **all filings shall be made by 4:00 p.m.** on the date the
23 filing is due, unless otherwise indicated above.

24 IT IS FURTHER ORDERED that **each party shall individually prepare, and bring to the**
25 **pre-hearing conference, copies of an issues matrix** setting forth all disputed issues in the case.
26 Each party's matrix shall indicate the position of each party on each disputed issue and shall indicate
27 whether the disputed issue remains in dispute or has been resolved, in prefiled testimony or
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1 otherwise.

2 IT IS FURTHER ORDERED that any **objections to prefiled testimony or exhibits** shall be
3 made before or at the pre-hearing conference to be held in this matter.

4 IT IS FURTHER ORDERED that any **substantive corrections, revisions, or supplements**
5 **to prefiled testimony**, with the exception of rejoinder testimony, shall be reduced to writing and filed
6 no later than five calendar days before the witness is scheduled to testify. Substantive corrections,
7 revisions, or supplements to prefiled rejoinder testimony shall be reduced to writing and presented on
8 the first day of hearing.

9 IT IS FURTHER ORDERED that each party shall prepare a brief, **written summary** of the
10 prefiled testimony of each of its witnesses and **shall file each summary at least two working days**
11 **before the witness is scheduled to testify.**

12 IT IS FURTHER ORDERED that copies of the summaries shall be served upon the
13 Administrative Law Judge, the Commissioners, and the Commissioners' aides as well as the parties
14 of record.

15 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
16 except that **all motions to intervene must be filed on or before December 31, 2012.**

17 IT IS FURTHER ORDERED that **discovery** shall be as permitted by law and the rules and
18 regulations of the Commission, except that **until April 1, 2013**, any objection to discovery requests
19 shall be made within 7 calendar days of receipt¹ and responses to discovery requests shall be made
20 within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made within
21 5 calendar days and responses shall be made within 7 calendar days. The response time may be
22 extended by mutual agreement of the parties involved if the request requires an extensive compilation
23 effort.

24 IT IS FURTHER ORDERED that for discovery requests, objections, and answers, if a
25 receiving party requests service to be made electronically, and the sending party has the technical
26 capability to provide service electronically, service to that party shall be made electronically.

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28 ¹ The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. Arizona time will be considered as received the next business day.

1 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
2 discovery, any party seeking resolution of a discovery dispute may telephonically contact the
3 Commission's Hearing Division to request a date for a procedural hearing to resolve the discovery
4 dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and
5 that the party making such a request shall forthwith contact all other parties to advise them of the
6 hearing date and shall at the hearing provide a statement confirming that the other parties were
7 contacted.²

8 IT IS FURTHER ORDERED that any motion, other than a Motion to Intervene, that is filed
9 in this matter and that is not ruled upon within 20 calendar days of the filing date of the motion shall
10 be deemed denied.

11 IT IS FURTHER ORDERED that any response to a motion shall be filed within five calendar
12 days of the filing date of the motion.

13 IT IS FURTHER ORDERED that any reply shall be filed within five calendar days of the
14 filing date of the response.

15 IT IS FURTHER ORDERED that AWC shall provide public notice of the hearing in this
16 matter, in the following form and style, with the heading in no less than 18-point bold type and the
17 body in no less than 10-point regular type:

18 **PUBLIC NOTICE OF HEARING ON THE APPLICATION OF ARIZONA**
19 **WATER COMPANY FOR A PERMANENT RATE INCREASE**
20 **FOR ITS NORTHERN GROUP SYSTEMS**
(DOCKET NO. W-01445A-12-0348)

21 **Summary**

22 On August 1, 2012, Arizona Water Company ("AWC") filed with the Arizona
23 Corporation Commission ("Commission") an application requesting adjustments to its
24 rates and charges for utility service provided by its Northern Group water systems,
25 including its Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood,
and Rimrock) water systems. AWC's rate application uses a test year ending
December 31, 2011, and requests an increase in revenues of \$2,829,974, or
approximately 27.95 percent over test year total operating revenues.

26 In addition to requesting an overall increase in revenue, AWC's application proposes
27 extension of its arsenic cost recovery mechanism ("ACRM") authorization, approved
for the Sedona and Rimrock water systems in Decision No. 66400 (October 16, 2003),

28 ² The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

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to the Navajo water systems; full rate consolidation of the Sedona system’s rates with those of the other Verde Valley systems; authorization to implement a Distribution System Improvement Charge (“DSIC”) for its Northern Group systems; and authorization to implement Off-Site Facilities Fees of \$1,100 and up for new service connections in the Sedona water system’s service area. The application also mentions continued authorization of a MAP surcharge.

For a residential customer served by a 5/8” x 3/4” meter, approval of the rates proposed by AWC would have the following impacts on monthly bills with average and median usage:

	\$ Change	% Change	Proposed Bill
Navajo (Lakeside or Overgaard)			
Average (3,200 gallons)	\$5.33	20.31%	\$31.57
Median (1,200 gallons)	\$5.49	30.98%	\$23.22
Verde Valley (Sedona)			
Average (8,800 gallons)	\$14.28	36.19%	\$53.76
Median (5,200 gallons)	\$8.75	26.86%	\$41.33
Verde Valley (Pinewood or Rimrock)			
Average (3,000 gallons)	\$0.17	0.52%	\$33.59
Median (1,200 gallons)	\$1.21	4.45%	\$28.43

The Commission’s Utilities Division (“Staff”) is in the process of auditing and analyzing the application, and has not yet made any recommendations regarding AWC’s proposed rate increase. The Commission will determine the appropriate relief to be granted based on the evidence presented by the parties. **THE COMMISSION IS NOT BOUND BY THE PROPOSALS MADE BY AWC, STAFF, OR ANY INTERVENORS; THEREFORE, THE FINAL RATES APPROVED BY THE COMMISSION MAY DIFFER FROM AND MAY BE HIGHER OR LOWER THAN THE RATES REQUESTED BY AWC OR RECOMMENDED BY OTHER PARTIES.**

How You Can View or Obtain a Copy of the Rate Proposal

Copies of the application and proposed rates are available from AWC [COMPANY INSERT HOW AND WHERE AVAILABLE] and at the Commission’s Docket Control Center at 1200 West Washington, Phoenix, Arizona, for public inspection during regular business hours, and on the Internet via the Commission’s website (www.azcc.gov) using the e-Docket function, located at the bottom of the webpage.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **May 13, 2013, at 10:00 a.m.**, in Hearing Room No. 1 at the Commission’s offices at 1200 West Washington Street, Phoenix, Arizona 85007. Public comments will be taken on the first day of hearing. Written public comments may be submitted by mailing a letter, referencing **Docket No. W-01445A-12-0348**, to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000.

Interested parties may participate in this matter by (1) filing for intervention and becoming a formal party to the proceeding; or (2) providing written or oral public

1 comment. Any interested person may file written public comments regarding AWC's
2 application in **Docket No. W-01445A-12-0348** at any time.

3 If you do not intervene, you will receive no further notice of the proceedings in this
4 docket. **However, all documents filed in this docket are available online** (usually
5 within 24 hours after docketing) at the Commission's website, www.azcc.gov, using
6 the e-Docket function, located at the bottom of the website homepage. RSS feeds are
7 also available through e-Docket.

6 **About Intervention**

7 You do not need to intervene if you want to appear at the hearing and provide public
8 comment on the application, or if you want to file written comments in the record of
9 the case. Any interested person may file written public comments regarding AWC's
10 application in **Docket No. W-01445A-12-0348** at any time.

11 Any person or entity entitled by law to intervene and having a direct and substantial
12 interest in the matter will be permitted to intervene. The granting of intervention
13 entitles a person to participate as a party at hearing by presenting sworn evidence and
14 cross-examining other party's witnesses. **If you wish to intervene, you must file an
15 original and 13 copies of a written motion to intervene with the Commission's
16 Docket Control Center no later than December 31, 2012, and send a copy of the
17 motion to AWC or its counsel and to all parties of record.** Contact information for
18 AWC and parties of record may be obtained using the Commission's e-Docket
19 function and Docket No. W-01445A-12-0348.

20 Your motion to intervene must contain the following:

- 21 1. Your name, address, and telephone number, and the name,
22 address, and telephone number of any person upon whom
23 service of documents is to be made, if not yourself;
- 24 2. A short statement of your interest in the proceeding (e.g., a
25 customer of AWC, a shareholder of AWC, etc.); and
- 26 3. A statement certifying that you have mailed a copy of the
27 motion to intervene to AWC or its counsel and to all parties of
28 record in the case.

29 The granting of motions to intervene is governed by A.A.C. R14-3-105, except that all
30 motions to intervene must be filed on or before December 31, 2012.

31 If representation by counsel is required by Rule 31 of the Rules of the Arizona
32 Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel
33 to represent the intervenor. For a sample intervention request form, go to
34 <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>.

35 **If you intervene, and wish to present testimony and associated exhibits at the
36 hearing, you must, by each intervenor testimony deadline established in the
37 Procedural Order setting the hearing for this matter: (1) reduce your testimony
38 and associated exhibits to writing/letter-size documents, (2) file the original and
39 13 copies of your testimony and exhibits with the Commission's Docket Control
40 Center, and (3) mail a complete copy to each party of record in this case.**

41 **ADA/Equal Access Information**

42 The Commission does not discriminate on the basis of disability in admission to its
43 public meetings. Persons with a disability may request a reasonable accommodation

1 such as a sign language interpreter, as well as request this document in an alternative
2 format, by contacting the ADA Coordinator, Shaylin Bernal, E-mail
3 SABernal@azcc.gov, voice phone number 602-542-3931. Requests should be made as
early as possible to allow time to arrange the accommodation.

4 IT IS FURTHER ORDERED that AWC shall, **as soon as possible, but no later than**
5 **November 15, 2012, mail** to each of its customers a copy of the above notice as a bill insert **and**
6 **cause a copy of such notice to be published at least once in a newspaper(s) of general circulation**
7 **in AWC's service territory.**

8 IT IS FURTHER ORDERED that AWC shall **file certification of mailing and publication**
9 as soon as possible after the mailing and publication have been completed, but **no later than**
10 **December 3, 2012.**

11 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing/publication
12 of same, notwithstanding the failure of an individual customer to read or receive the notice.

13 IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules
14 31 and 38 and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.

15 IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance
16 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Arizona
17 Supreme Court Rule 42). Representation before the Commission includes appearances at all hearings
18 and procedural conferences, as well as all Open Meetings for which the matter is scheduled for
19 discussion, unless counsel has previously been granted permission to withdraw by the Administrative
20 Law Judge or the Commission.

21 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
22 Communications) applies to this proceeding and shall remain in effect until the Commission's
23 Decision in this matter is final and non-appealable.

24 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended
25 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

26 ...
27 ...
28 ...

1 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
2 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
3 hearing.

4 DATED this 19th day of September, 2012.

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7 
8 SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

9 Copies of the foregoing mailed/delivered
10 this 19th day of September, 2012, to:

11 Steven A. Hirsch
12 Stanley B. Lutz
13 BRYAN CAVE, LLP
Two North Central Avenue, Suite 2200
Phoenix, AZ 85004-4406
Attorneys for Arizona Water Company


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24 ARIZONA REPORTING SERVICE, INC.
2200 North Central Avenue, Suite 502
25 Phoenix, AZ 85004-1481

26 By: 
27 Debra Broyles
Secretary to Sarah N. Harpring